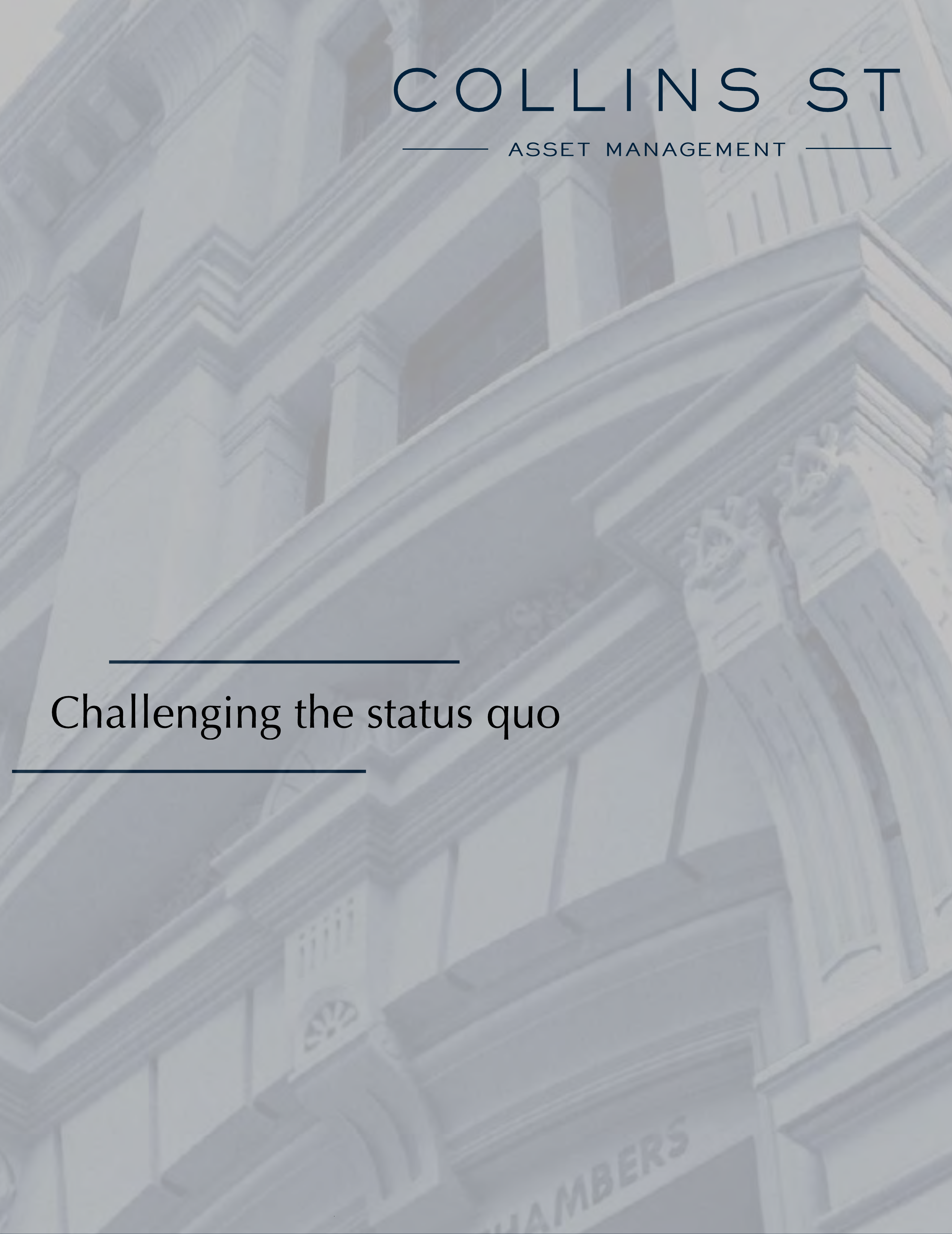
COLLINS ST

ASSET MANAGEMENT



Challenging the status quo

COLLINS ST

ASSET MANAGEMENT

December 2022 Quarterly Report

Open To Wholesale Investors Only.

AFSL: 468 935

COLLINS ST

ASSET MANAGEMENT

Our role is to help our investors grow their wealth for their families today and into the future.

We appreciate that our investors have spent a lifetime building their wealth and supporting their families, and we are passionate about helping support that effort to last for generations.

Collins St Asset Management is an independent, boutique, Melbourne based fund manager.

The business was established in 2015 by Michael Goldberg and Vasilios Piperoglou, with our flagship fund, the Collins St Value Fund opening to investors in 2016. Each of our subsequent funds were established as the result of identifying a new opportunity as part of our ongoing research for the flagship fund.

Our objective is to provide a suite of funds that are best in breed in their categories.

Our Funds manage money for a broad range of wholesale investors including superannuation funds, financial planning groups, charitable foundations, family offices, and individual investors.

- Founded in 2015
- Over $350 million in funds under management
- Offices in Melbourne, Sydney, and Gold Coast

Our Investment Philosophy

Patient
Objective
Value Investing

Hands on
In-depth
Primary research process

High
Conviction
Portfolio
Construction

Align interests with investors

COLLINS ST
ASSET MANAGEMENT

December 2022 Quarterly Report

COLLINS ST ASSET MANAGEMENT

COLLINS ST VALUE FUND

A high conviction portfolio of our most compelling Australian listed ideas.

Not benchmarked against any index, the Fund simply seeks to generate an absolute positive return over the medium term.

The fund has no fixed management fees. The only fee is performance based.

Since inception in 2016, the Fund has generated 14.5% p.a. after costs.

COLLINS ST CONVERTIBLE NOTES

A portfolio of convertible notes primarily in Australian listed companies

Loans secured against the assets of the borrowing companies, with potential upside from an option to convert the loan to equity.

Targeted 8% p.a distributions (net of fees).

Launched in 2022.

COLLINS ST SPECIAL SITUATIONS

A concentrated portfolio of internationally listed offshore oil services companies.

Seeking to take advantage of the dysfunction in the fossil fuels space, and particularly in the services sector.

A closed ended fund launched in 2021, to be wound approximately 3 years after launch.

Return since inception of 60.04%

CSAM GPI PRIVATE EQUITY

GPI is a business that primarily provides consumables for the smash repair industry. GPI also owns businesses in corporate merchandising and consumer sports goods.

The Fund is a 4 year closed ended fund, with the business to be ultimately sold to industry participants or listed via an IPO.

Launched in 2022

The importance of being able to change ones mind

Fighting Fire with Fire

(Readers are cautioned that the following story is true and tragic)

On a hot afternoon in August 1949, fifteen men jumped from a plane in Montana, parachuting towards the Missouri river each with the better part of 20kg in equipment in tow.

These 15 brave men were fire fighters dropping into the hot zone with a plan to dig a fire break in the hope of redirecting the blaze to an area low on fuel where the fire would soon burn out.

Unfortunately for these firefighters, it wasn't very long before the fire had jumped the ravine they were relying on to help slow the fire, and instead the fire was racing towards them.

With flames over 3 metres high, and quickly closing in on them, the team turned up towards the steep slope and raced for the safety of the top of the hill.

Some 500 metres into the sprint (and less than 200 metres from safety) and with the fire too quickly catching up to the team, team leader Wagner Dodge ordered his men to drop their equipment and packs before he started doing something unexpected and confusing.

Rather than continuing to sprint to crest the hill, Dodge knelt over and began dropping lit matches into the long grass in front of him creating a new fire!

Confused by his actions, the rest of the team paid him no more attention as he attempted to wave them towards him. Instead all 14 others continued to race up the hill.

Meanwhile (unbeknown to his team mates), Dodge had created a safe zone within the blaze where he hunkered down as the main fire raged around him. While burning an escape fire to create a safe(er) zone is common practice nowadays, none of Dodge's team mates had ever considered the practice, and no one had ever suggested it in training.

Sadly, all but three of the 'smokejumpers' perished that day, more than one of them still holding their tools even after being told to drop it, and even as the fire closed in on them.

The Mann Gulch fire tragedy was devastating, but it wasn't the last time such a tragedy occurred as firefighters attempted to outrun wild fires.

In the five years to 1995, twenty-three fire fighters lost their lives (in the US) attempting to outrun a wild fire uphill. And in each case, later investigations found that among the failures of those that were overwhelmed was their unwillingness to leave behind their tools.

One survivor of a fire in Colorado recalled that even after begrudgingly accepting that he had to abandon his chainsaw in order to survive, he still spent precious seconds trying to find a 'safe place' to stash it.

Psychologists later determined that firefighters were so hesitant to dispose of their equipment due to the connection between those tools and their own identity.

I recently read the above story from Adam Grant in his book "Think Again". In retelling the story of the Mann Gulch and Wagner Dodge's clever decision, the general feedback I've received is that of impressed awe for Mr Dodge's genius, and a slightly saddened resignation that such quick thinking, and the ability to think outside of the box is beyond the capacity of mere mortals, reserved only for the most brilliant among us.

I don't believe that to be true.

For one, I don't believe that it was genius for a fire fighter to understand the concept of a fire break. By 1949 Wagner Dodge had been a fire fighter for decades, he was the leader of an elite parachuting fire fighting team, and he had a deep understanding of fire.

What was genius was his ability (especially under fire - pardon the pun) to think outside of the square, to separate a deeply rooted perception of who he was and to act in direct contradiction to that perception to achieve his true job.

You see, firefighters often view their job as straight forward - putting out fires. But that's not really true. A firefighters job is to save life. Sure they save lives (and property) by putting out fires, but it was Dodge's ability to break his psychological perception of self-identity to gain the insight needed to save lives.

Secondly, I don't believe it to be true that 'regular human beings' are incapable of rethinking, and ingenuity. In fact, studies have suggested that those who know the most (and least) are most likely to stick with their preconceived perceptions even in the face of convincing counter arguments. I would posit that just as we've spent a lifetime learning, we can all learn-again when a changing of facts and circumstances requires that we do so.

As I sit here writing this article I am all too well aware that it may seem that I'm about to compare the work done by firefighters with our work on Collins St. That is not my intent. What firefighters do is far more important than what we do. All I'm attempting to do here is learn lessons which can be applied broadly.

Learning Investment Lessons from the Mann Gulch:

Admitting to ourselves that we were wrong is hard. Yet to grow and improve, it's a necessary ability.

I've been wrong. As recently as our last quarterly report I suggested that our job (and the job of all serious investors) was to identify companies trading at a substantial discount to their intrinsic value.

That's not our job. Our job, and the job of any investor is actually to grow and preserve the value of our capital.

We've expressed as much in presentations in the past, and it may seem like a triviality or distinction without difference, but its not.

I believe that one of the greatest challenges faced by investors is a misunderstanding of our jobs.

Caught up in the excitement of finding a new good idea, we run the risk of missing the forest for the trees. So caught up in valuation models, current affairs, political intrigue and economic theory, it's very easy to forget that our job is to make money. Picking stocks that are undervalued is part of that process, but it's not the whole story.

What's involved in the process?

In the first instance we need to be able to decide what ideas deserve our attention - not all fires need human intervention, and not all investment ideas deserve attention (most common firefighting policy nowadays is that if it's **not** a risk to life or property, leave it alone. In investing we take the view that if it poses a risk to life and property leave it alone!)

In fact, pushing the analogy just a little too far, expecting an investor to have an opinion on every stock is akin to expecting the fireman to run from birthday party to birthday party blowing out candles because his job is to put out fires. It might be entertaining, but it's a waste of energy.

Review

By making an effort to continuously re-evaluate, investors can continuously stress testing their investment hypothesis and in doing so come to a deeper understanding and a better outcome. By more deeply considering ideas, investors can come to utilise their special insight and experience to uncover ideas and opportunities that are simply missed by the wider public.

Review and Review Again

Revisiting ones preconceived notions about an idea can be challenging and sometimes painful. That goes for ideas in life and investment ideas. Having the courage to re-evaluate your previous conceptions on an honest basis and on an ongoing basis is key to achieving better outcomes.

A recent study in Illinois (USA) assessed the eraser marks of over 1,500 exams. The study discovered that only 25% of amended answers were from right to wrong. A full 50% of answers were from wrong to right, while the balance of changes were from wrong to also wrong.

This study and plenty of anecdotal experience suggest that you're likely to be better off the more willing you are to reconsider (at least 75% of the time - according to the above study - students were better or at least no worse off by reconsidering their position).

> *"we would laugh at someone who still uses Windows 95, yet we still cling to opinions and ideas we formed in 1995"*
>
> \- Adam Grant (Author)

If it turns out that our prior conceptions were in fact misconceptions, act accordingly - make adjustments, take the medicine and move on.

If however, further consideration proves out that your assumptions and understandings were correct, then stick by them with conviction, and note that sometimes the best course of action is inaction.

When To Sell

Part of investing successfully is selling well. But recognising when the time is right is one of the more difficult tasks for many investors out there. After spending weeks or months researching a business, one of the most difficult tasks for an investor is separating that feeling of 'sunk cost' into an investment from the hard fact that all businesses have intrinsic value, and that no business is worth buying or holding at 'any price'.

At Collins St Asset Management we take a fairly simple view. We look to sell based on the following:

1. Our estimation of valuation has been met, or
2. We find an alternative that is significantly better.
3. The investment case has changed (for the worse).
4. The position has performed so well that it is out of balance with the portfolio.

1. Within our Funds we attempt to regularly assess the underlying value of our positions, it's an obvious and core part of our (and any value investors) role. Once a company reaches our assessment of intrinsic value we sell it. At times we've seen recently sold companies continue to produce exciting share price growth and we are ok with that. At any price above intrinsic value, holding a share is simply speculation. Speculating is fine, it's just not ordinarily the realm of value investors.

2. From time to time we will identify a new idea that is so attractive that we are compelled to sell a position with less attractive prospects. On the face of it this seems like an obvious approach, but in practice there is always the risk that the new idea identified isn't as well understood as the existing positions that have benefited from initial and ongoing research. Within our funds, the level of conviction in a new idea would have to be exceptional if we were to consider selling a well known position, but it does happen from time to time.

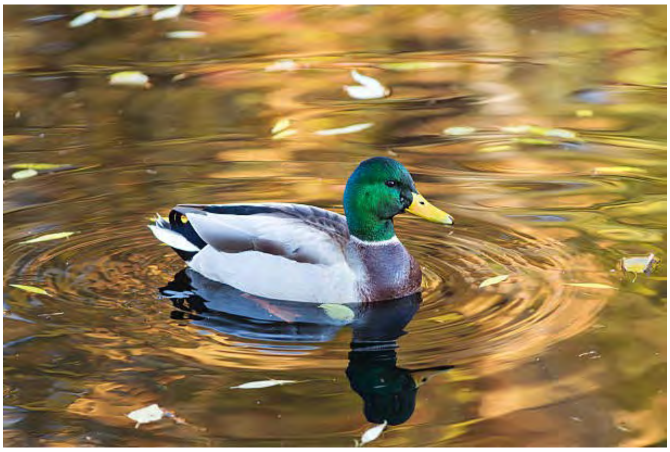
3. The most drastic activity within our portfolio tends to happen when a situation changes and a company that once seemed promising and cheap suddenly looks risky or expensive. This sort of scenario can play out due to macro change, or can be the result of company specific drivers - like regulation, management change, or business malpractice. Thankfully we haven't often had to deal with these sorts of situations, but we have seen them occur.

4. While portfolio balance may be viewed as an institutional problem, it isn't. Each position within an investor's portfolio should be assessed against the others and receive the appropriate amount of capital relative to the position's

conviction. From time to time one position may rise or fall rapidly, throwing the weighting out of whack and requiring action. Selling a stock you like despite the fact that its still attractive can be a difficult decision to make, but it needs to be a decision that is made in the context of the broader portfolio (this is probably a topic that deserves more time, and is one we may revisit in a future report).

Historically we've had low turnover and that's especially true over the last 12 months. The lack of change within our portfolio is not due to lack of consideration. It's simply that if we don't believe that our current positions have satisfied one of the above 4 points we *actively* do nothing.

Like a duck gracefully floating on a pond, what you can see above the water, versus the frantic paddling beneath the surface could hardly be more different. Yet both pictures are simply opposite sides of the same experience.



In the following pages we provide an update on each of our funds:

- The Collins St Value Fund
- Collins St Special Situation Fund
- Collins St Convertible Notes Fund

If you would like to invest in any of our funds or have any questions please reach out to us asking for Rob Hay on 03 9602 1230 or via email on rhay@csvf.com.au

Wishing all our readers a very happy and prosperous New Year.

COLLINS ST

VALUE FUND

COLLINS ST

VALUE FUND

Unit Price:

Buy Price	Unit Price	Sell Price
$1.8917	$1.8823	$1.8729

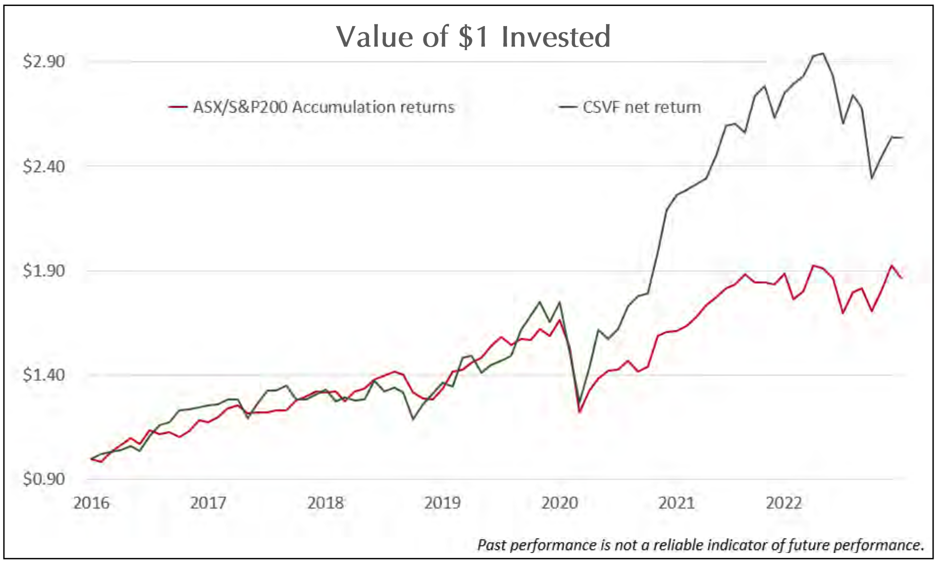
Performance (to 31 December 2022)*

Period	Return
December Quarter 2022	8.37%
12 months	-7.63%
2 years (annualised)	7.70%
3 years (annualised)	15.36%
5 years (annualised)	14.09%
Annualised Return (since inception)	14.46%

*Net returns. Assuming reinvestment of distributions.

Holdings*

Beach Energy
Boom Logistics
Carnarvon Energy
Humm Group
Link Administration
Litigation Capital Management
MMA Offshore
National Tyre & Wheel
Retail Food Group
PEXA Group Limited
RPM Automotive Group
Seven West Media Group



* In the interests of investors, the Fund does not disclose all its positions.

Who would have thought that after all the challenges we've seen over the last few years, that 2022 would be yet another year that we are pleased to see the end of.

With war in Europe, increasing interest rates and inflation, falling asset prices, abundant confusion negotiating the trade off between renewable energy and affordable energy, this past year threw up memorable challenges in an era where memorable challenges are par for the course.

When all was said and done the (US)S&P500 was down by almost 19.5%, dragged lower by growth stocks and technology. The Dow Jones faired slightly better, down almost 9%. Locally, mostly thanks to our focus on Materials and Financials, the All Ordinaries index was down 'just' 7%. Collins St fell by 7.6% for the year (our first negative calendar year since the inception of our fund), but pleasingly delivered a solid 8.4% for the December quarter.

Within the Fund we had some distinct winners and some unfortunate losers, but we remain confident that all of our holdings will generate attractive returns as we look forward to 2023 and beyond.

In the following pages we discuss some of our significant holdings that provided updates in the December quarter - those being MMA Offshore and Retail Food Group - as well as explaining what happened to Link Group (the most significant weight on our portfolio over the last 6 months), and what we expect moving forward.

Company updates: (the good)

MMA OFFSHORE (ASX:MRM)

MMA offshore has been a company that we've liked for some time. With exposure to both traditional energy via their offering to off shore oil & gas rigs, and renewable energy via offshore

"...investing is the greatest business in the world, because you never have to swing. You stand at the plate, the pitcher throws you General Motors at 47! US Steel at 39! And nobody calls a strike on you... All day you can wait for the pitch you like; then when the fielders are asleep, you step up and hit it."

windfarms, we have long thought that the company was well placed for whatever the future of energy looked like.

Making a long story short, MMA provides all the shipping, crane, and submersible equipment an operator might need for the construction, maintenance, and deconstruction/relocation of offshore platforms and associated infrastructure. Historically, their business was dominated by offshore oil and gas rigs, but as mentioned, recent history has seen them become a leading player in the offshore wind farm space.

The challenge in owning a company like MMA has always been that share prices have always been highly volatile, with trough periods seeing companies trading as low as 30% of NTA, while when earnings improve and the sector thrives, its been common to find these types of companies trading at 2 times book value.

The driving factor behind the steep discount or significant premium can usually be tracked back to utilisation and earnings growth. So when in 2021 we began to see utilisation rates (demand) on their equipment increase we took note.

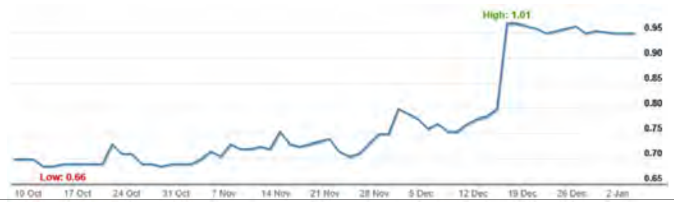
Pleasingly, that utilisation and day rate trajectory has continued over the last 18 months, and with that improvement we saw the company share price improve from circa 35c (approximately 35% of NTA) up to approximately 75c (80% of NTA).

More recently (19 December) MMA Offshore released an announcement that first half EBITDA was up 70% to circa $31million for the half, while utilisation rates across the entire fleet are at 82% (up from 66% in the previous half.

Not surprisingly, the markets were quite pleased with the update, driving the share price higher (to as high as $1.01).

We remain quite positive on the prospects for MRM going forward, and are quite excited to see what the evolving energy space will bring to this company which is so leveraged to the space.

MMA Offshore Share price over 6 months



As we've previously noted, based on the current cash flows and outlook, we think that MRM has an intrinsic value of around $1.50.

RETAIL FOOD GROUP (ASX:RFG)

When we first bought Retail Food Group in 2020, we saw it as a company in the turnaround phase of its life cycle (after previous management had harmed the brand) driven by two key factors.

1). A return to a post Covid normal - specifically a return to the local coffee & cake shop.

2). An outcome from and removal of the overhang due to action against the company by the ACCC - related to activity of the previous management.

On the first point, we were pleasantly surprised by the resilience of the company's brands, and it seemed to us that the strategy of shrinking to greatness was one that was succeeding.

While brands like Michel's, Donut King and Brumbies were expected to struggle during lockdowns and in the immediate aftermath of them, Gloria Jean's (11% growth in 2022), and the pizza offerings (10% growth in 2022) were finding ways to grow even during the darkest times.

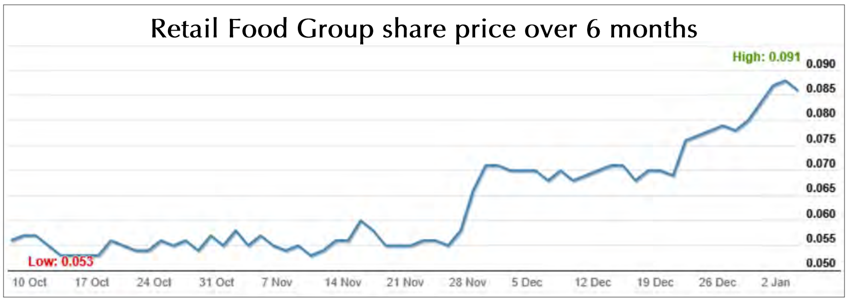
"Human nature desires quick results. There is a peculiar zest in making money quickly, and remoter gains are discounted by the average man at a very high rate"

- John Keynes

Still, despite all the company's best efforts investors seemed disinterested. It seemed to us that it was the overhang of litigation and the cost of settling it that was driving investor behaviour. Driven by a fear that the regulator might take a punitive approach to 'settlement', some pundits were speculating that the cost to RFG could be as high as $30 million. Our thinking was that the final agreement was likely to fall between $15-20 million.

So, it was a pleasant surprise when in late December, the ACCC and RFG settled on a deal that would cost under $10 million.

With the regulatory overhang now removed, we (and the market) are excited to see how the company continues to grow, and expect RFG's share price to be driven by its fundamentals rather than peripheral issues.



We cannot be certain how the business will progress in the coming months and years, but based on our understanding of it, we believe that even at 9c there is still profit to be made.

Company updates: (the ugly)

LINKGroup (ASX:LNK)

Link Group has been on market as a takeover target for the better part of 2 years. With no less than 4 suitors coming and going in that time, we believed that the Dye & Durham (DnD) offer of $5.50 with the prospect of an additional 13c (depending on certain outcomes), was likely to complete. However, as the process dragged on, markets seemed to be concerned about DnD's ongoing interest in Link, and seemed to also be concerned about its ability to fund the takeover.

Link Group 18 month chart

As part of our ongoing due diligence, we were in touch with DnD, participated in their investor calls, and reviewed the agreements in place around financing. Having become comfortable that DnD remained keenly interested and that they had already locked in financing on attractive terms, we took a position in Link on anticipation of a successful takeover completion.

Our belief at the time was that the value of the individual parts of Link group was worth between $4.50 and

$5.00, so that in the unlikely event that the takeover failed our downside was limited, whereas if the takeover were to go through on time and as planned, our rate of return was quite attractive.

Unfortunately best laid plans do not always equate to best outcomes, and at the 11th hour a UK regulator scuttled the deal.

Frustrated by years of takeover negotiations, Link's board announced that they will be stripping out their major asset (PEXA - the platform on which almost all Australian properties are settled though) and distributing it to its share holders via an in-specie distribution. Additionally, management made known that the rest of the company was on the market.

On December 30, Link began trading ex-PEXA entitlement. On the 10th of January, investors will receive one PXA share for every 7.52 Link shares they own. Given the current PXA share price at the time of writing ($12.60), the distribution of PXA shares are worth $1.67 per Link share. On top of that Link is expected to earn $90 million NPAT which we value as $3.45 a share.

It's certainly been a frustrating journey investing in Link, but given the significant upside relative to the current share price, we are excited to see what 2023 will bring for this deeply unloved company.

KEY FEATURES

Fund Name:	Collins St Value Fund ABN 72 216 927 242
Trustee:	Collins St Asset Management Pty Ltd ACN 601 897 974 AFSL 468935
Custodian:	Sandhurst Trustees Limited
Registry/Unit Pricing:	Apex Fund Services (Australia) Pty Ltd
Auditors:	Pitcher Partners
Fund Inception Date:	Feb 2016
Investment Objective:	The Fund seeks to create investment returns over the medium to long term.
Investment Strategy:	The Fund invests in a concentrated portfolio of Australian securities. It focuses on identifying deep value investment opportunities. This is achieved by identifying sustainable businesses trading at a discount to our assessment of intrinsic value.
Benchmark:	Index Unaware
Asset Class:	Long only ASX company securities & Cash (no derivatives).
Leverage:	None
Minimum Subscription:	$250,000 (unless otherwise agreed) and only open to investors considered "wholesale investors" as defined by the Corporations Act.
Investment Term:	There is no fixed investment term. Investors may apply to acquire Units in the Fund at any time the Fund is open for investment. Investors may redeem Units subject to the applicable liquidity and redemption policy.
Distribution Frequency:	Annually
Entry Fee:	Nil
Buy/Sell Spread:	0.50%
Applications:	Monthly
Management Fee:	Nil
Performance Fee above Hurdle Rate:	25% (Hurdle rate is the 10 year Aus Gov't Bond Rate)
High Water Mark	Yes
Platform Availability	IDPS (sophisticated investors only) platform of: Netwealth, Hub24, Mason Stevens and Power Wrap

For more information about the Fund please obtain a copy of the Information Memorandum which is available upon request.

KEY DATA

Annual Returns and Analytics	12 months	24 months	36 months	48 months	60 months	Since Inception
Fund Annual Return per annum	-7.64%	7.69%	15.35%	17.83%	14.09%	14.43%
ASX 200 Total Return (S&P/ASX 200)	-1.08%	7.69%	5.55%	9.75%	7.11%	9.42%
Monthly Returns and Analytics	**12 months**	**24 months**	**36 months**	**48 months**	**60 months**	**Since Inception**
Fund Average monthly return	-0.66%	0.62%	1.20%	1.38%	1.10%	1.27%
Index Average monthly return	-0.09%	0.62%	0.45%	0.78%	0.57%	0.84%
Fund % of Positive Months	58%	71%	72%	73%	72%	75%
Index % of Positive Months	50%	63%	67%	69%	65%	65%
Fund Average +ve Return	2.88%	2.98%	4.47%	4.38%	4.02%	3.48%
Index Average +ve Return	4.76%	3.15%	3.53%	3.37%	3.14%	3.01%
Fund Best Month	5.23%	6.87%	12.87%	12.87%	12.87%	12.87%
Index Best Month	6.89%	6.89%	10.21%	10.21%	10.21%	10.21%
Fund Average -ve Return	-6.61%	-5.56%	-7.27%	-6.52%	-6.03%	-5.54%
Index Average -ve Return	-4.66%	-3.38%	-5.20%	-4.49%	-3.87%	-3.20%
Performance in Positive Markets	**12 months**	**24 months**	**36 months**	**48 months**	**60 months**	**Since Inception**
Number of months market was positive	6	15	24	33	39	54
Fund % positive months, when market positive	83%	87%	88%	85%	82%	83%
Cumulative Fund return in positive market	16.89%	42.76%	153.71%	221.91%	220.03%	283.29%
Cumulative Index return in positive market	32.02%	58.70%	128.05%	195.62%	230.90%	391.41%
Up Capture Ratio	52.75%	72.84%	120.04%	113.44%	95.29%	72.38%
Performance in Negative Markets	**12 months**	**24 months**	**36 months**	**48 months**	**60 months**	**Since Inception**
Number of months market was negative	6	9	12	15	21	29
Fund % positive months, when market negative	50%	56%	50%	53%	57%	62%
Cumulative Fund return in negative market	-20.99%	-18.77%	-39.51%	-40.11%	-39.60%	-33.73%
Cumulative Index return in negative market	-25.07%	-26.93%	-48.44%	-50.92%	-57.40%	-62.06%
Down Capture Ratio	83.70%	69.70%	81.57%	78.78%	68.99%	54.34%

Data sourced from Australian Fund Monitors. https://www.fundmonitors.com

As at 31 December 2022

COLLINS ST

CONVERTIBLE NOTES FUND

COLLINS ST

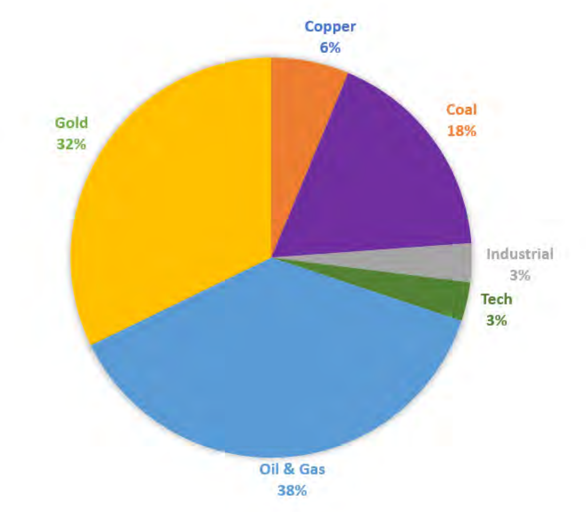
CONVERTIBLE NOTES FUND

Unit Price and Distribution: (Q4 2022)

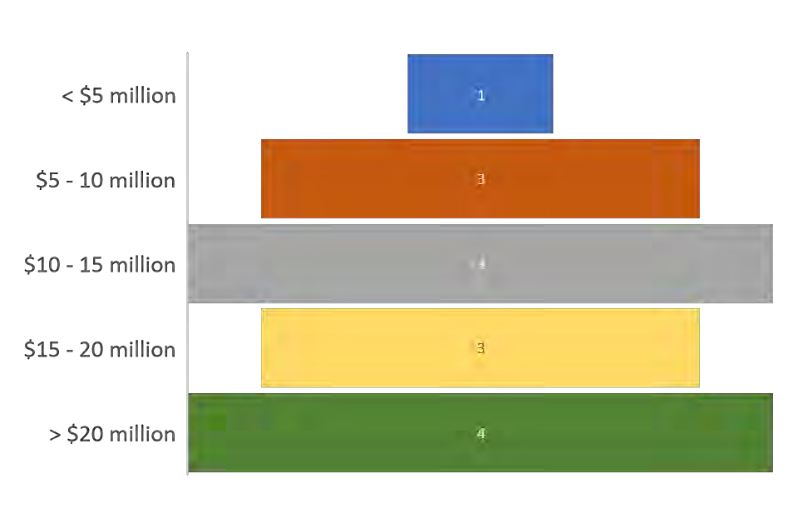
Unit Price as at Jan 1, 2023	$1.00
December 2022 distribution paid	2 cents
September 2022 distribution paid	2 cents
Targeted annual distribution	8% p.a.

Current and Proposed Deal Flow*

Sectors



Deal Size



* As at 31 December 2022. There is no guarantee that any of the deals we are currently negotiating will be completed. Thesegraphs are for illustrative purposes only.

Performance and Loans

The Fund settled on its 5th convertible note deal this quarter, investing in Matrix Composites and Engineering an Australian listed industrial company that specialises in producing buoyancy devices.

Once again the Collins St Convertible Notes Fund achieved its target during the December quarter, generating a 2% yield to be paid to investors (net of fees) shortly.

We continue to see a healthy diversity in the types of companies (and sectors) that are engaging in conversation with us, and as we continue to build our brand in the market we have seen a gradual increase in the magnitude of deals being proposed.

Our Focus

Preservation of capital remains of utmost importance to us. So much so that for any deal we engage in we first must be satisfied of at least three things:

1. The company has more than enough sellable security such that if need be, we could extract the value of our loan from its assets.
2. The company has set aside (in our control) significant prepaid interest such that we can be confident that even in a worst case scenario our interest payments are protected.
3. The company maintains a free cash balance sufficient to maintain operations on a bare bones basis in the event that an administrator were to be called in.

Security is always our first consideration. As such, any deal we engage in must have sufficient security such that it stacks up even (or especially) in the event that things don't go according to plan.

Market & Outlook

While 2022 has certainly thrown up some challenges, much of the foreshadowed grim predictions foreseeing structural collapse due to increased interest rates have not eventuated. Certainly asset prices have adjusted to a return to normal interest rates, but as yet, unless investors have been 'investing' in speculation, losses haven't followed the doomsayers predictions.

For us, a gradual increase in interest rates does not meaningfully affect our security position, and as new deals are written they are done at higher yields and on lower conversion prices.

Whereas 6 months ago we were writing convertible notes at 10% with a conversion price 60% above the prevailing share price, our more recent deals are being negotiated at around an 11% yield and a 30% premium for conversion.

Given the prevailing environment we think that this adjustment properly reflects the changing situation and provides our investors with the prospect of an improved distribution and the potential for a greater capital gain if and when we are able to convert our loans into shares at a discount to the prevailing share price.

Most Recent Deal:

Matrix (ASX:MCE)	
Market Cap	$42 million
Loan Amount	$7.485 million
Coupon	10.5%
Conversion price	$0.350
Share price (Dec 31)	$0.29

KEY FEATURES

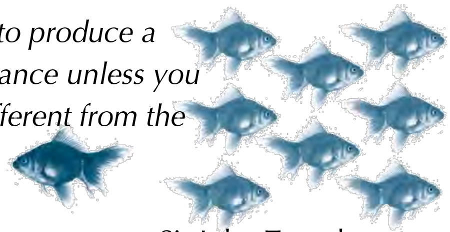
Fund Name:	Collins St Convertible Notes Fund ABN 30 216 289 383
Trustee:	Collins St Convertible Notes Pty Ltd ACN 657 773 754 Authorised Representative of AFSL 468935
Custodian:	Ord Minnett, Sandhurst Trustees (Australian Assets) and Collins St Convertible Notes Pty Ltd (incidental)
Registry/Unit Pricing:	Apex Fund Services (Australia) Pty Ltd
Auditors:	Pitcher Partners
Intermediary	Polar 993 Limited AFSL: 525 458
Current IM date:	27 September 2022
Fund Inception Date:	May 2022
Investment Objective:	The fund seeks to generate to investors a target cash distribution of 8% p.a. (net of fees and costs), to be paid quarterly at a rate of 2% per quarter. Additionally, the Fund aims to generate capital gains via the conversion of convertible notes, whereby loans may be converted into equity and sold at a premium to the conversion price paid.
Investment Strategy:	The Fund invests in a concentrated portfolio of convertible notes and shares (received upon the conversion of convertible notes). It will focus on identifying deep value investment opportunities in a range of sectors and geographies.
Leverage:	None
Minimum Subscription:	$500,000 (unless otherwise agreed) and only open to investors considered "wholesale investors" as defined by the Corporations Act.
Investment Term:	The investment term for an investment in the Fund is 2 years from the date of issue of Units. Redemption requests made after that two year period will be considered having regard to the liquidity of the Fund and its funding requirements.
Distribution Frequency:	Quarterly
Management Fee:	The Trustee will be entitled to a management fee of up to 2%p.a.
Performance Fee:	20% of realised capital gains
Platform Availability	IDPS (sophisticated investors only) platform of: Netwealth.

For more information about the Fund please obtain a copy of the Information Memorandum which is available upon request.

COLLINS ST

SPECIAL SITUATION FUND NO.1

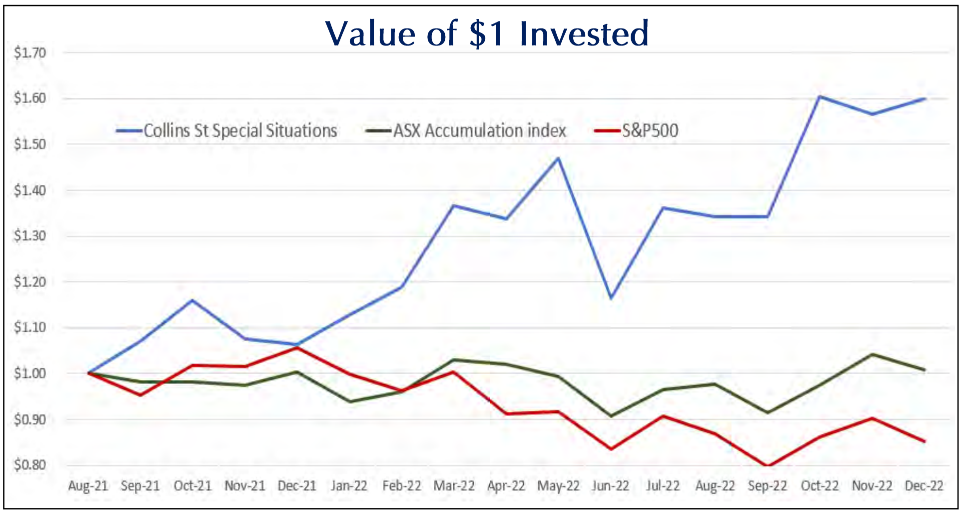
"It is impossible to produce a superior performance unless you do something different from the majority."



- Sir John Templeton

COLLINS ST

SPECIAL SITUATION FUND NO.1



Unit Price: (Q4, 2022)

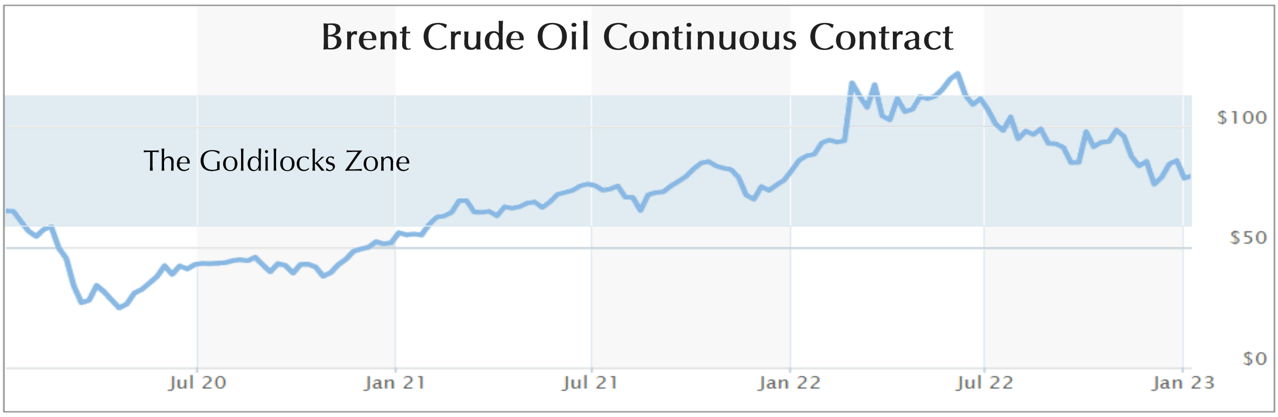
$1.6004

Performance (to 31 December 2022)*

Period	Return
Q4 2022	19.23%
6 months	37.75%
12 months	50.57%
Since inception	60.04%

When we first proposed to invest in this space we noted that any one of several drivers could see oil and gas outperform and specifically so for the offshore oil and gas services sector. Some of those drivers included:

- A recognition that energy demand is outstripping supply, and that a lack of investment in traditional energy will come back to bite the developed (and developing) world.
    - Its pretty clear that the global energy hyperinflation that we are currently seeing is an early sign of potential problems. Certainly the war in Europe has brought a spotlight to Europe's under preparedness for a transition to renewables, but the problems have been brewing for some time.
- Higher prices - but not too high
    - Having invested in service companies rather than directly in the oil/gas producers, we are less concerned about the price of oil or gas, and more concerned that prices find the goldilocks zone - not too expensive and not too cheap. The ideal cost of oil would be sufficiently above the cost of production (which according to Noble Corporation is around $40 per barrel for their customers) but not so high that it creates demand destruction.



"Sometimes stocks are cheap for a reason. It's an investors job to find overstated pessimism and to test their view using primary evidence."

- Collins St Asset Management

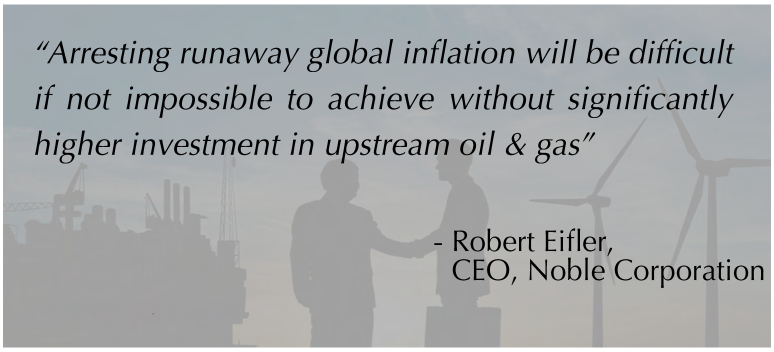
- A realisation that a complete transition to renewable sources of energy (if possible) is a process, and not one that can be achieved without the aid of traditional energy and the companies that dominate the space.
    - In a recent investor call, Noble Corporation noted (we acknowledge the subjectivity here) that the only way to arrest global inflationary pressure and implement renewables into the system in a sustainable way is with significant additional investment into upstream oil and gas projects.
- Investor appreciation for the prospects of oil & gas related companies.
    - For some time now, the prospect of investing in fossil fuel related companies has been an idea that required an especially strong constitution. Not only had the culture turned away from the space, but some (loud) pundits were actively seeking to punish and harm companies. One super fund manager suggested shorting fossil fuel companies, not because she believed that they were expensive, but as a punitive measure to harm the underlying companies and their share prices.

As investors and markets have gradually recognised the strong (and improving) position of these companies, share prices have begun to show strong returns. And, as companies like Noble Corp announce massive share buy backs, the prospects for and the allocation of excess capital from these companies becomes more clear. At some point, the weight of earnings growth, the distribution of excess capital, and a cultural acknowledgment of the importance of traditional energy is likely to see the oil & gas services space valued more appropriately.

In tough times, it's not unusual to find service and support businesses trading at just 20-30% of NTA. Yet during market peaks, it's equally common to find these companies trading at 2x NTA.

As utilisation rates on equipment across the sector rapidly closes in on 90% and day rates at the point of renewing contracts jump from less than $200,000 per day to over $400,000 (for oil rigs), it's only a matter of time before the weight of earnings completely overwhelms the continued hesitation of investors from investing.

We've certainly enjoyed the first few months of an early transition from this deeply unloved sector, and we can't wait to see what the next two years will bring.



COLLINS ST

SPECIAL SITUATION FUND NO.1

KEY FEATURES

Fund Name:	Collins St Special Situation Fund No.1 ABN 73 536 295 715
Trustee:	Collins St Asset Management Pty Ltd ACN 601 897 974 AFSL 468935
Custodian:	Bell Potter Securities
Registry/Unit Pricing:	Apex Fund Services Pty Ltd
Auditors:	Pitcher Partners
Fund Inception Date:	August 2021
Investment Objective:	The Fund will seek to create investment returns over 3 years by investing in the offshore oil services sector.
Investment Strategy:	The Fund invests in a concentrated portfolio of international securities. It focuses on identifying deep value investment opportunities within the offshore oil services sector. This is achieved by identifying sustainable businesses trading at a discount to our assessment of intrinsic value.
Benchmark:	Index Unaware
Asset Class:	Long only securities & Cash (no derivatives).
Leverage:	None
Minimum Subscription:	N/A
Investment Term:	The Fund is closed ended with an expected wind up 3 years from the date of launch. The Fund may be wound up earlier if the expected returns have been achieved. The Fund does not intend to accept new applications from the time of this report.
Distribution Frequency:	Annually (reinvested)
Entry Fee:	Nil
Buy/Sell Spread:	Nil
Applications/ redemptions:	Nil
Management Fee:	Nil
Performance Fee:	25% of performance
High Water Mark	Yes

For more information about the Fund please obtain a copy of the Information Memorandum which is available upon request.

COLLINS ST

GPI FUND

COLLINS ST

GPI FUND

"Those who are victorious plan effectively and change decisively. They are like a great river that maintains its course but adjusts its flow."

- SunTzu

Since completing the acquisition of the GPI business in September 2022 Vasilios Piperoglou (our Chief investment officer and Non-Executive Director of GPI), has attended two Board meetings as well as participated in several site visits where he has had the opportunity to engage with Management on the future direction of the company.

Whilst we are only four months into the journey, it is worthy to mention that:

- The Automotive division continues to be the dominant contributor to returns through a stable and relatively inelastic consumer demand profile, with Corporate Merchandise sales (the most capital light of all divisions) performing very well off the back of anticipated purchasing activity in the lead up to Christmas. However, the Sports division under-performed for the half due primarily to an overhang of inventory across the industry (and associated discounting in the market place) as well as a reduction in discretionary consumer spending in the segment following recent interest rate rises and inflationary pressures.

- It has never been our intention to implement radical changes within the business as it is fundamentally sound and has been well managed for decades. We are, however, fleshing out ways to implement new back office technology / systems that will create tangible efficiencies within the business and free up resources for more earnings per share accretive initiatives.

- We are also seeking to expand margins across numerous product lines throughout each division and are working with Management to bring this strategy to life throughout 2023.

- Pricing decisions will not be made in isolation of other factors and will be augmented by enhanced marketing initiatives, strengthening the Management team and better aligning interests and potentially remuneration outcomes throughout the company.

Further to this Quarterly Report, existing investors in this Fund will be provided with a comprehensive Quarterly Report specific to GPI directly from the Registry (Apex) via email in late January.

COLLINS ST

GPI FUND

KEY FEATURES

Fund Name:	Collins St GPI Fund ABN 79 249 604 380
Trustee:	Collins St Asset Management Pty Ltd ACN 601 897 974 AFSL 468935
Custodian:	Sandhurst Trustees Limited
Registry/Unit Pricing:	Apex Fund Services Pty Ltd
Auditors:	Pitcher Partners
Fund Inception Date:	September 2022
Investment Objective:	The Fund will seek to create investment returns over 4 years by implementing incremental changes within GPI to improve systems and EBITDA.
Investment Strategy:	The Fund invests in GPI group, a group of businesses that include an automotives division, a sports division, and a merchandise division. The business has been in operations for over 40 years. The management team intend to corporatize the organisation, expand its customer base, and improve efficiencies.
Benchmark:	Index Unaware
Asset Class:	Private Equity
Investment Term:	The Fund is closed ended with an expected wind up 4 years from the date of launch. The Fund may be wound up earlier if the expected returns have been achieved. The Fund does not intend to accept new applications.
Distribution Frequency:	None
Entry Fee:	Nil
Buy/Sell Spread:	Nil
Applications/ redemptions:	Nil
Management Fee:	2% p.a.
Performance Fee:	20% of performance - owed only on the eventual sale of the businesses.

For more information about the Fund please obtain a copy of the Information Memorandum which is available upon request.